

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

MIDWAY MFG. CO.,)
BALLY MANUFACTURING CORPORATION,)
and EMPIRE DISTRIBUTING, INC.,)

Petitioners,)

v.)

HON. JUDGE JOHN F. GRADY,)
UNITED STATES DISTRICT JUDGE)

PETITION FOR WRIT
OF MANDAMUS
(74 C 1030, 74 C 2510,
75 C 3153 & 75 C 3933
N.D. Ill.)

RECORD APPENDIX TO PETITION FOR
WRIT OF MANDAMUS TO STAY NON-JURY TRIAL IN
NORTHERN DISTRICT OF ILLINOIS IN FAVOR
OF JURY TRIAL IN RELATED ACTION IN
SOUTHERN DISTRICT OF NEW YORK

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JOHN F. GRADY, JUDGE
United States District Judge

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2. Complaint for Patent Infringement filed April 15, 1974 (Chicago).
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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

MIDWAY MFG. CO.,
a corporation

Plaintiff,

v.

THE MAGNAVOX COMPANY,
a corporation

and

SANDERS ASSOCIATES, INC.,
a corporation

Defendants.

ACTION NO. 74 CIV. 1657 CBM

LETTERS PATENTS NOS. 3,659,284
3,659,285
3,728,480
3,778,058

COMPLAINT FOR DECLARATORY RELIEF

Plaintiff, Midway Mfg. Co., for its Complaint against
defendants, The Magnavox Company and Sanders Associates, Inc.
alleges that:

Parties

1. Plaintiff, Midway Mfg. Co., is a corporation
organized and existing under the laws of the State of Illinois,
and has its principal place of business at 3750 North River Road,
Schiller Park, Illinois.

2. Defendant, The Magnavox Company, is a corporation
organized and existing under the laws of the State of Delaware
and has its executive offices at 345 Park Avenue, New York City,
New York.

3. Defendant, Sanders Associates, Inc., a corporation of
the State of Delaware, having an office at Daniel Webster Highway
South, Nashua, New Hampshire.

Jurisdiction

4. This is an action for declaratory judgment under 28
U.S.C. §2201 and §2202. Jurisdiction and venue are based on

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28 U.S.C. §§1338 and 1391(c) and the Patent Laws of the United States.

Statement of Claim

5. This action arises from an actual and justiciable controversy now existing between plaintiff and defendants with respect to the following United States Letters Patents and the alleged infringement thereof by plaintiff:

William T. Rusch	Patent No. 3,659,284
Ralph H. Baer, et al.	Patent No. 3,659,285
Ralph H. Baer	Patent No. 3,728,480
William T. Rusch	Patent No. 3,778,058

Hereinafter, the term "patents" is used to mean either one or a plurality of the above listed patents.

6. Defendant Magnavox has asserted itself to be the exclusive licensee of Sanders Associates, Inc., under the patents with the sole and exclusive right to bring actions in law or equity on the patents.

7. Plaintiff is in the business of manufacturing and selling various types of coin-operated amusement machines and devices. Defendant Magnavox has charged that the manufacture, use and sale of certain of such coin-operated amusement machines and devices constitute infringement of said patents and has threatened plaintiff with suit for infringement of said patents unless plaintiff takes a license and becomes a sub-licensee of defendant Magnavox under said patents.

8. Plaintiff avers that it has not infringed and is not infringing any of said patents.

9. Plaintiff avers that the patents were not duly and legally issued, and further that they are invalid and void for

one or more of the following reasons:

(a) The alleged inventions of said patents were known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the alleged inventions thereof by the applicants for said patents.

(b) The alleged inventions of said patents were patented or described in printed publications in this or a foreign country, or in public use in this country, more than one year prior to the filing date of the first application for said patents in the United States disclosing or claiming the alleged inventions.

(c) The alleged inventions were described in patents granted on applications for patent by others filed in the United States before the alleged invention thereof by the applicants for said patents.

(d) The applicants for said patents did not themselves invent the subject matter sought to be patented in said patents and were not the original, first and/or joint inventors or discoverers thereof.

(e) Before the alleged invention by the applicants for said patents, they were made in the United States by others who had not abandoned, suppressed or concealed such alleged inventions.

(f) The subject matters set forth in said patents so far as it may be original with the applicants for said patents were not sufficient advances in the art to warrant the issuance of patents thereon.

(g) The differences between the subject matter sought to be patented in each of said patents and the prior art are such that the subject matter as a whole would have been obvious

at the time the purported inventions were made to a person having ordinary skill in the art to which the purported inventions pertain.

(h) The alleged inventions are not described or shown in said patents in such full, clear, concise and exact terms as to enable one skilled in the art to practice the alleged inventions, nor do the patents set forth the best mode contemplated by the applicants for carrying out the alleged inventions.

(i) Said patents do not particularly point out or distinctly claim the alleged inventions.

(j) The applications filed by or on behalf of the applicants for said patents in the United States Patent Office contain less than a full disclosure of their alleged inventions or discoveries.

(k) If said patents are construed to cover coin-operated amusement games and/or devices manufactured and sold by plaintiff, the patents are invalid for want of patentable invention in view of the prior art, knowledge and uses.

(l) Defendants have unlawfully extended its monopoly by obtaining more than one patent on the same, or merely colorable variations of the same, alleged invention.

10. Said patents are invalid, void and unenforceable on the ground of double patenting.

11. Plaintiff, upon information and belief, alleges that by reason of the proceedings in the United States Patent Office during the prosecution of the applications which resulted in the patents, and the admissions and the representations therein made by or on behalf of the applicants for said patents in order to induce the grant of a patent, defendants are estopped to

claim for any of the patents a construction, even if this were otherwise possible, which would cause the patent to cover or include the acts of plaintiff of which defendant Magnavox has complained.

WHEREFORE, plaintiff prays:

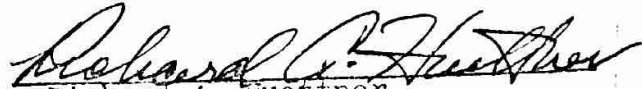
(a) That this Court grant and enter a judgment or decree declaring that said United States Letters Patents are invalid and void and that said patents are not infringed by coin-operated amusement games and devices manufactured, used or sold by plaintiff.

(b) That this Court enter a judgment or decree declaring that it is the right of plaintiff to make, use or sell the coin-operated amusement games and devices to which defendants' charges of infringement have been directed without any threats or other interference by or from defendants or arising out of the ownership of said patents or any interest therein.

(c) That defendants, their officers, agents, servants, employees and attorneys be enjoined from charging or asserting that the manufacture, use or sale of the coin-operated devices as manufactured, used or sold by plaintiff is a violation of or an infringement of defendants' rights under said patents.

(d) That the costs of this action and/or reasonable attorneys fees be assessed against defendants.

(e) That plaintiff be granted such other and further relief as the Court deems just and proper in the premises.



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(312) FR 2-7842

JUDGE MARSHALL

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IN THE UNITED STATES DISTRICT COURT 15 PM 4 20
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CLERK
U.S. DISTRICT COURT

THE MAGNAVOX COMPANY,
a Corporation,

Plaintiff,

v.

BALLY MANUFACTURING
CORPORATION, a Corporation,
CHICAGO DYNAMIC INDUSTRIES,
INC., a Corporation, ATARI,
INC., a Corporation, ALLIED
LEISURE INDUSTRIES, INC.,
a Corporation, and EMPIRE
DISTRIBUTING, INC., a
Corporation,

Defendants.

Civil Action No.

740 1030

COMPLAINT FOR PATENT INFRINGEMENT

1. This action arises under the patent laws of the United States, Title 35, United States Code. Jurisdiction of this Court is based on Title 28, United States Code, Section 1338(a).
2. Plaintiff, The Magnavox Company, is a corporation organized and existing under the laws of the State of Delaware.
3. Defendant Bally Manufacturing Company is a corporation organized and existing under the laws of the State of Delaware.
4. Defendant Chicago Dynamic Industries, Inc. is

(2) A1

a corporation organized and existing under the laws of the State of Illinois.

5. Defendant Atari, Inc. is a corporation organized and existing under the laws of the State of California.

6. Defendant Allied Leisure Industries, Inc. is a corporation organized and existing under the laws of the State of Florida.

7. Defendant Empire Distributing, Inc. is a corporation organized and existing under the laws of the State of Illinois.

8. On April 25, 1972, United States Letters Patent 3,659,284 issued to Sanders Associates, Inc., Nashua, New Hampshire as assignee of William T. Rusch for an invention in TELEVISION GAMING APPARATUS and since that date Sanders Associates, Inc. has been and still is the owner of those Letters Patent.

9. On April 25, 1972, United States Letters Patent 3,659,285 issued to Sanders Associates, Inc., Nashua, New Hampshire as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison for an invention in TELEVISION GAMING APPARATUS AND METHOD and since that date Sanders Associates, Inc. has been and still is the owner of those Letters Patent.

10. By an agreement entered into between Sanders Associates, Inc. and plaintiff effective January 27, 1972, plaintiff has been and still is the exclusive licensee under

said United States Letters Patent 3,659,284 and 3,659,285 with the right to bring actions for infringement of said Letters Patent.


11. Each of defendants has been for a long time past and still is infringing said Letters Patent 3,659,284 and 3,659,285 by making, using and/or selling gaming apparatus embodying the subject matter of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

12. Each of defendant's infringements of said Letters Patent 3,659,284 and 3,659,285 were and are willful and with full knowledge of said Letters Patent.

13. Plaintiff has placed the notice prescribed at Title 35, United States Code, Section 287(a) on all gaming apparatus manufactured and sold by it under said Letters Patent 3,659,284 and 3,659,285 and has given written notice to defendants of said infringements of Letters Patent 3,659,284 and 3,659,285.

WHEREFORE, plaintiff demands a preliminary and final injunction against continued infringement of said Letters Patent 3,659,284 and 3,659,285 by each of defendants, an accounting of the damages to plaintiff and the profits to defendants caused by said infringements, an assessment of three times the damages and profits so determined, an award of reason-

able attorney fees, and an assessment of interest and costs against defendants.



Theodore W. Anderson
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April 15, 1974

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY, a
Corporation, and SANDERS
ASSOCIATES, INC., a
Corporation,

Plaintiffs,

v.

BALLY MANUFACTURING
CORPORATION, a Corporation,
CHICAGO DYNAMIC INDUSTRIES,
INC., a Corporation, ATARI,
INC., a Corporation, ALLIED
LEISURE INDUSTRIES, INC.,
a Corporation, EMPIRE
DISTRIBUTING, INC., a
Corporation, and MIDWAY MFG.
CO., a Corporation,

Defendants.

Civil Action
No. 74 C 1030

FIRST AMENDED COMPLAINT
FOR PATENT INFRINGEMENT

1. This action arises under the patent laws of the United States, Title 35, United States Code. Jurisdiction of this Court is based on Title 28, United States Code, Section 1338(a).

2. Plaintiff The Magnavox Company is a corporation organized and existing under the laws of the State of Delaware.

3. Plaintiff Sanders Associates, Inc. is a corporation organized and existing under the laws of the State of Delaware.

4. Defendant Bally Manufacturing Corporation is a corporation organized and existing under the laws of the State of Delaware.

5. Defendant Chicago Dynamic Industries, Inc. is a corporation organized and existing under the laws of the State of Illinois.

6. Defendant Atari, Inc. is a corporation organized and existing under the laws of the State of California.

7. Defendant Allied Leisure Industries, Inc. is a corporation organized and existing under the laws of the State of Florida.

8. Defendant Empire Distributing, Inc. is a corporation organized and existing under the laws of the State of Illinois.

9. Defendant Midway Mfg. Co. is a corporation organized and existing under the laws of the State of Illinois.

10. On April 25, 1972, United States Letters Patent 3,659,284 issued to plaintiff Sanders Associates, Inc. as assignee of William T. Rusch for an invention in TELEVISION GAMING APPARATUS and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of those Letters Patent.

11. On April 25, 1972, United States Letters Patent 3,659,285 issued to plaintiff Sanders Associates, Inc. as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison for an invention in TELEVISION GAMING APPARATUS AND METHOD and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of those Letters Patent.

12. By an agreement entered into between plaintiff

Sanders Associates, Inc. and plaintiff The Magnavox Company effective January 27, 1972; plaintiff The Magnavox Company has been and still is the exclusive licensee under said United States Letters Patent 3,659,284 and 3,659,285 with the right to bring actions for infringement of said Letters Patent.

13. Defendants Chicago Dynamic Industries, Inc., Atari, Inc., and Allied Leisure Industries, Inc. have been for a long time past and still are separately and independently infringing said Letters Patent 3,659,284 and 3,659,285 by making, using and selling gaming apparatus embodying the subject matter of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

14. Defendants Bally Manufacturing Corporation, Empire Distributing, Inc., Midway Mfg. Co., and Atari, Inc. have been for a long time past and still are jointly infringing said Letters Patent 3,659,284 and 3,659,285 by making, using, and selling gaming apparatus embodying the subject matter of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

15. Defendants Bally Manufacturing Corporation and Empire Distributing, Inc. have been for a long time past and still are jointly infringing said Letters Patent 3,659,284 and 3,659,285 by selling gaming apparatus manufactured by others of the defendants herein as well as other parties and embodying the subject matter of the claims of said Letters Patent and

will continue to do so unless enjoined by this Court.

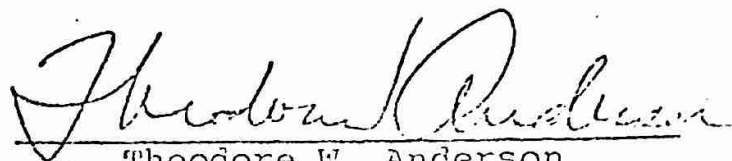
16. Defendants Bally Manufacturing Corporation, Empire Distributing, Inc., and Allied Leisure Industries, Inc. have been for a long time past and still are jointly infringing said Letters Patent 3,659,284 and 3,659,285 by making, using, and selling gaming apparatus embodying the subject matter of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

17. Each of defendant's infringements of said Letters Patent 3,659,284 and 3,659,285 were and are willful and with full knowledge of said Letters Patent.

18. Plaintiff has placed the notice prescribed at Title 35, United States Code, Section 287(a) on all gaming apparatus manufactured and sold by it under said Letters Patent 3,659,284 and 3,659,285 and has given written notice to defendants of said infringements of Letters Patent 3,659,284 and 3,659,285.

WHEREFORE, plaintiff demands a preliminary and final injunction against continued infringement of said Letters Patent 3,659,284 and 3,659,285 by each of defendants, an accounting of the damages to plaintiff and the profits to defendants caused by said infringements, an assessment of three times the damages and profits so determined, an award of reasonable attorney fees, and an assessment of interest and costs

against defendants.



Theodore W. Anderson

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May 21, 1974

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UNITED STATES MAGISTRATE

UNITED STATES DISTRICT COURT

UNITED STATES COURTHOUSE

FOLEY SQUARE

(2 NEW YORK, N.Y. 10007, RECEIVED
FITCH, EVEN.
TABIN & LUEDEKA)

July 28, 1975

JUL 31 1975

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Re: Midway Mfg. Co. v. The Magnavox Company, et al.
74 Civ. 1657 (CBM)

Dear Sirs:

Enclosed for your information are copies of my report of July 28, 1975, to Judge Motley recommending that Magnavox's motion for an order transferring, dismissing or staying this action be denied in all respects.

Any comments on this report should be submitted to Judge Motley in writing (with a copy to me) on or before August 11, 1975.

Very truly yours,

C. J. Hartenstine

Charles J. Hartenstine
United States Magistrate

cc: Judge Motley

Enclosure

(4)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - X

MIDWAY MFG. CO.,

Plaintiff,

-against-

THE MAGNAVOX COMPANY and
SANDERS ASSOCIATES, INC.,

Defendants.

:

:

:

:

:

:

:

- - - - - X

MAGISTRATE'S
REPORT

74 Civ. 1657 (CBM)

A motion by defendant The Magnavox Company ("Magnavox") was referred to the undersigned by Judge Motley to hear and report my recommendations. It seeks (1) an order under 28 U.S.C. §1404(a) transferring this action to the Northern District of Illinois, Eastern Division, or (2) an order dismissing this action on the ground that the issues raised are involved in the case of The Magnavox Company v. Bally Manufacturing Corporation, which is pending there, or (3) an order staying all further proceedings in this action pending disposition of that case on the ground that that case will be substantially determinative of the issues here.

Having heard the attorneys for the parties to the motion, and having read the motion papers and exhibits as well as the complaint filed with this court, it is my recommendation that in the exercise of discretion the Magnavox motion should be denied in all respects.

I

This is an action for declaratory and injunctive relief under 28 U.S.C. §2201, 2202. It was commenced April 12, 1974, by plaintiff ("Midway"), an accused infringer of four letters patent held by defendant Sanders Associates, Inc. ("Sanders"), and licensed by Sanders to Magnavox exclusively. Midway seeks a determination of the invalidity or noninfringement of these patents and an order enjoining defendants from charging Midway with an infringement of the patents.

Jurisdiction of this court is invoked under 28 U.S.C. §1338(a), which provides:

"The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents...."

The complaint alleges (¶4) that suit was brought in this district under 28 U.S.C. §1391. That statute

provides for venue generally, and reads in pertinent part:

"(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

"(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."

The complaint alleges that Midway is an Illinois corporation having its principal place of business in that State (§1); that Magnavox is a Delaware corporation having its executive offices in this city (§2); and that Sanders is a Delaware corporation having its office in Nashua, New Hampshire (§3). In support of this motion the April 20, 1974, affidavit of Theodore W. Anderson, one of the attorneys for Magnavox, states that both defendants are licensed to do business in the State of Illinois (§11). And at the argument of this motion it was undisputed that Magnavox's principal place of business is in the State of Indiana; that Sanders

maintains a sales office in New York City; and that Midway is a wholly owned subsidiary of Bally.

II
A

Title 28, Section 1404, of the United States Code, authorizing a change of venue, provides in pertinent part:

"(a) For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

The power of a District Court to transfer an action to another district depends upon whether the proposed transferee district is one in which the action "might have been brought." Hoffman v. Blaski, 363 U.S. 335, 343-344 (1960). This language of Section 1404(a) permits transfer only to a district in which the plaintiff would have had a right to sue without regard to consent by the defendants. Id. at 344. It has been interpreted to mean a district where venue would have been proper and the defendants would have been amenable to process. Foster-Milburn Co. v. Knight, 181 F.2d 949 (CA2 1950). For an action is not "brought" within Section 1404(a) when it is

"commenced" by filing a complaint with the court under F.R.Civ.P. 3; Section 1404(a) presupposes that the defendants can be served. Id. at 951.

On the record presented it seems clear that this action might have been brought in the Northern District of Illinois, Eastern Division. It is a civil action. Jurisdiction is not founded solely on diversity of citizenship. And it is undisputed that on April 12, 1974, when the complaint was filed here, both defendants were residents of the proposed transferee division, where they were licensed to do business, 28 U.S.C. §1391(b)(c), and where they would have been amenable to process issuing out of the District Court. F.R.Civ.P. 4(f).

B

Whether this court should exercise its power to transfer this action to the Northern District of Illinois, Eastern Division, for "the convenience of the parties and witnesses, in the interest of justice," is a matter committed to its discretion. Wyndham Associates v. Bintliff, 398 F.2d 614, 621 (CA2 1968).

The relevant factors to be weighed and considered emerge from legislative history and the cases. According to the

Reviser's Notes, when the United States Code was revised in 1948 Section 1404(a) was drafted in accordance with the doctrine of forum non conveniens and requires the trial judge to determine that the transfer is necessary for the convenience of the parties and witnesses and that it is in the interest of justice. United States Congressional Service (1948), at 1853. But in Norwood v. Kirkpatrick, 349 U.S. 29 (1955), the Court noted that in writing Section 1404(a) Congress was "revising as well as codifying" the law on forum non conveniens. Id. at 32. Consequently, the Court said,

"...Congress, by the term 'for the convenience of parties and witnesses, in the interest of justice,' intended to permit courts to grant transfer upon a lesser showing of inconvenience."
Ibid.

The Court then went on to explain:

"This is not to say that the relevant factors have changed or that the plaintiff's choice of forum is not to be considered, but only that the discretion to be exercised is broader."
Ibid.

The "relevant factors" and consideration of the "plaintiff's choice of forum" had been evaluated in two earlier cases, Gulf Oil Corp. v. Gilbert, 330 U.S. 501 (1947),

and Koster v. Lumbermens Mutual Casualty Co., 330 U.S. 518 (1947). The factors set out in Gulf Oil include:

- 1) Relative ease of access to sources of proof;
- 2) Availability of compulsory process for attendance of unwilling witnesses;
- 3) Cost of obtaining attendance of willing witnesses;
- 4) Possibility of viewing premises, if view would be appropriate to the action;
- 5) All other practical considerations which make trial of a lawsuit easy, expeditious and inexpensive. 330 U.S. at 508.

These factors, as modified by the Court in Norwood, supra, have been adopted by this court in subsequent cases under Section 1404(a). E.g., Schneider v. Sears, 265 F. Supp. 257, 263, 266 (SDNY 1967).

Having moved for a change of venue, Magnavox has the burden of showing the necessity for such a transfer. Blue Bell, Inc. v. Jaymar-Ruby, Inc., 311 F.Supp. 942 (SDNY 1959). More particularly, it must make a "clear showing," an "appropriate affirmative showing," that when all the relevant factors are considered the proposed new forum would be more convenient for the parties and witnesses

(not equally convenient or inconvenient) and the interests of justice would be better served in that district.

U.S. Industries v. Proctor & Gamble, 348 F. Supp. 1265, 1268 (SDNY 1972).

Viewing these legal considerations against the background of this action and the case pending in Chicago, and weighing the reasons advanced by Midway for its choice of this forum and the grounds pressed by Magnavox for litigating this action in the Northern District of Illinois, it seems to me that transfer there would not be more convenient for the parties, or the witnesses, and would not be in the interest of justice.

Background of this Action

It appears from Mr. Anderson's April 20, 1974, affidavit in support of this motion that the four patents in suit here relate to so-called "video games" (§3).

Mr. Anderson goes on to say (§8) that Magnavox sought unsuccessfully to license Midway. More particularly, it appears that Magnavox contacted Midway through Bally concerning a proposed sub-license under the patents. On February 27, 1974, Magnavox mailed to Bally's general counsel a proposed

license agreement. On March 7 Bally informed Magnavox that the matter had been referred to its patent counsel; on April 3 Magnavox mailed to Bally's patent counsel, at his request, prior-art references relating to the patents; and on April 9 Magnavox mailed to Bally a revised proposed license agreement. Three days later Midway commenced this action.

The Consolidated Cases in Chicago

In his affidavit of April 20, 1974, Mr. Anderson states that Magnavox's exclusive license under the patents gives it the right to bring actions for infringement (§3).

He says that on April 15, 1974, three days after this action had been commenced, Magnavox commenced an action against Bally in the Northern District of Illinois (§9). That action is for patent infringement, involving two of the four patents involved here (Exhibit A to the April 20, 1974, affidavit of Mr. Anderson). It named five defendants, Bally, Chicago Dynamic Industries, Inc. ("Chicago"), Atari, Inc., Allied Leisure Industries, Inc. ("Allied"), and Empire Distributing, Inc. ("Empire"). (Ibid.)

In an affidavit of May 22, 1974, Mr. Anderson states that on May 22, 1974, in the Illinois case the court granted Magnavox's motion for leave to file an amended complaint, adding Sanders as a party plaintiff and Midway as a party defendant (§2).

In an affidavit of August 30, 1974, Mr. Anderson states that

1) On August 30, 1974, Magnavox and Sanders commenced a second action in the Northern District of Illinois. The second Illinois case was brought against Seeburg Industries, Inc., The Seeburg Corporation of Delaware, Williams Electronics, Inc., and World Wide Distributors, Inc. (§4)

2) The second case is for patent infringement of the same two patents involved in the first case there (Exhibit C to the August 30, 1974, affidavit of Mr. Anderson).

3) In the first Illinois case, depositions indicate that Empire is the exclusive distributor for Allied, and that Allied has sold video games to Empire (§§2-3).

4) In the second Illinois case, Williams Electronics is a wholly owned subsidiary of The Seeburg Corporation, which is a wholly owned subsidiary of Seeburg Industries, and Seeburg

Industries manufactures video games of a type alleged to infringe the two patents in suit there (¶4).

5) In the second Illinois case, World Wide Distributors makes, sells or leases video games of a type alleged to infringe the two patents in suit there (¶4).

In an affidavit of October 26, 1974, Mr. Anderson states that on October 25, 1974, the first and second actions pending in Illinois were consolidated under the lower docket number (74 C.1030) for all purposes (¶4).

Opposing this motion, Midway submitted affidavits by Donald L. Welsh, one of its attorneys.

In an affidavit of May 17, 1974, Mr. Welsh states that Midway and Empire are wholly owned subsidiaries of Bally (¶2); that of Midway, Empire and Bally, only Midway manufactures devices relating to video games, and only Midway and Empire sell such devices (¶4).

In an affidavit of August 23, 1974, Mr. Welsh states that by stipulation on or about August 1, 1974, the complaint in the first Illinois case was dismissed without prejudice as against Atari and Allied (¶2).

Thus, it appears that the consolidated cases pending

in the Northern District of Illinois are for infringement of two of the four patents involved in this declaratory action. The first action there was commenced three days after this one; the second action there was commenced some four months and 18 days after this one. The parties there, as identified here, are as follows:

Plaintiffs

Sanders - Holder of all the patents and a defendant here.

Magnavox - Exclusive licensee of all the patents, having the right to sue in its own name for infringement, and a defendant here.

Defendants

Midway - Accused infringer of all the patents (including two patents here not in suit there), by manufacturing and selling devices relating to video games, and the plaintiff in this action.

Chicago - Manufactures devices relating to video games.

Empire - Subsidiary of Bally; sells devices relating to video games.

Bally - Parent company of Midway and Empire.

Seeburg Industries - Manufactures devices relating to video games.

The Seeburg Corporation - Subsidiary of Seeburg Industries.

Williams Electronics - Subsidiary of The Seeburg Corporation

World Wide Distributors - Manufactures, sells or leases video games.

Midway's Choice of this Forum

According to its counsel's memorandum in opposition to this motion (pages 3-4), Midway brought this action here for a number of reasons, including these:

1) The real parties in interest to the four patents in suit are these three parties: Sanders, owner of the patents; Magnavox, its exclusive licensee; and Midway, accused of infringing the patents by manufacturing certain devices.

2) Sanders offices and its facilities where the work leading to the patents was performed are in New Hampshire, which is closer by many miles to New York City than to Chicago.

3) All the inventors named in the four letters patent reside in New Hampshire.

4) Magnavox executive offices are in New York City, and Sanders has a sales office here.

5) Midway's facilities in Illinois may be a source of evidence, but those facilities (including personnel) are subject to Midway's control.

6) Other witnesses expected to be examined are outside both this district and the Northern District of Illinois.

In sum, Midway says, New York City is more convenient than Chicago, considering the location of Sanders offices and facilities, the inventors residences and Magnavox's executive offices.

None of these underlying factors is seriously challenged on this motion; indeed, most of them (if not all) are not even in dispute as matters of fact. Certainly, as reasons justifying Midway's choice of this court, they are sufficient to pass muster. They are "not wholly frivolous." See William Gluckin & Co. v. International Playtex Corp., 407 F.2d 177, 178 (CA2 1969). Nor does the alignment of parties present "jumbled plaintiffs and defendants." See Rayco Manufacturing Co. v. Chicopee Manufacturing Corp., 148 F.Supp. 588, 594 (SDNY 1957). And not all the issues raised in this action are present in the case pending in Illinois; here four patents are in suit, there only two are in suit. See Rayco, supra, at 594. In these circumstances, no finding of "forum shopping" by Midway should be made.

Magnavox's Request for Transfer

In a memorandum in support of this motion (pages 4-9), Magnavox seeks a transfer of this action to the Northern District of Illinois, Eastern Division, for these reasons:

1) Magnavox manufactures apparatus for playing video games; the apparatus was designed in Fort Wayne, Indiana, and is manufactured in Greenville, Tennessee.

2) Magnavox's principal place of business is in Fort Wayne, Indiana.

3) Midway manufactures devices for playing video games; its design and manufacturing facilities are located in a suburb of Chicago, where it has its principal place of business.

4) Bally, Midway's parent company, has its principal place of business in Chicago.

5) If this action were transferred to the Northern District of Illinois, the local rules of that court indicate that this action would be assigned to the district judge having the two consolidated cases pending there; furthermore, (Magnavox says), it seems likely that the district judge there would consolidate this action with those two pending consolidated cases.

6) The Illinois case charges infringement by accused devices manufactured by defendants not parties to this action, except Midway, so that case would have to proceed to trial on those devices regardless of whether this action is transferred there.

7) The fact that this court is Midway's choice to litigate this action should be given no weight in considering Magnavox's motion, because (Magnavox says) Midway was "forum shopping."

8) Trial counsel for Midway and trial counsel for Magnavox have their offices in Chicago.

In a reply memorandum (page 5) Magnavox adds as a reason for transfer that both signatories of the license agreements on behalf of Magnavox have their principal offices in Fort Wayne, Indiana, where they reside, and the Magnavox representative involved in negotiating the license agreements is no longer with Magnavox but resides in Fort Wayne.

In a post-hearing memorandum (page 3) Magnavox submits as additional reasons for transfer that

1) Chicago is as accessible by air travel from Nashua, New Hampshire, as is New York City.

2) Magnavox will produce in Chicago any documents, things or witnesses to be produced in pre-trial or trial proceedings in the Illinois case, so (Magnavox says) travel to Nashua, New Hampshire, from Chicago will be unnecessary.

3) Statistics indicate that this action would be reached for trial in Chicago 18 months earlier than in this court.

In his affidavit of October 26, 1974, Mr. Anderson adds these reasons:

1) Neither Magnavox nor Sanders would oppose a motion by Midway in the consolidated cases in Illinois to add a counterclaim under the Declaratory Judgment Act concerning the two patents that are in suit here but not there (§4).

2) Pre-trial discovery is proceeding in the Illinois case (§7).

Midway opposes this motion to transfer for the reasons it advances for having commenced suit in this district. Additional reasons are submitted in its memorandum in opposition to the motion (pages 3-6) as follows:

1) Midway will produce in this court, for the trial of this action, any Midway personnel requested by Sanders or Magnavox.

2) The object of the Illinois case (Midway says) is to apply pressure to the defendants there to accept sub-licenses from Magnavox.

In a reply memorandum (page 3) Midway submitted as an additional reason in opposition that Magnavox, despite having its headquarters and executive offices in New York City, chose patent trial counsel from Chicago; in these circumstances, (Midway says) choice of trial counsel should have no bearing on the disposition of this motion.

In a supplemental memorandum (page 2) Midway submitted as an additional reason that discovery is going forward in this action.

In a post-hearing memorandum (pages 1-5) Midway submitted as additional reasons why transfer should be denied that

1) In response to Midway's interrogatories Sanders and Magnavox chose to offer their business records in lieu of answers, as authorized by Rule 33(c); Magnavox's records were to be made available in Fort Wayne and Sanders's records were to be made available in Nashua, New Hampshire.

2) From answers to Midway's interrogatories it appears that

- (a) At Sanders facilities in New Hampshire at least seven persons appear to have knowledge of discoverable matter;
- (b) On the East Coast some 19 persons appear to have knowledge of discoverable matter.

3) The major portion of the design of Midway's accused devices was performed by Atari, in California, not in the Northern District of Illinois.

As indicated earlier in this report, under the cases the "idea behind" Section 1404(a) is that when a civil action to vindicate a wrong - however brought in a court - presents issues and requires witnesses which make one District Court more convenient than another, the trial judge can, after findings, transfer the action to the more convenient court. Continental Grain Co. v. Barge FBL-585, 364 U.S. 19, 26 (1960).

It reflects a desire to have suits in the federal system go forward at the place called for by considerations of convenience and justice. Van Dusen v. Barrack, 376 U.S. 612, 616 (1964). To advance these considerations, impediments to the prosecution of this action should be avoided, for at least three reasons. First, under the patent laws patentees are heavily favored as a class of litigants. Blonder-Tongue v. University Foundation, 402 U.S. 313, 335 (1971). "A patent shall be presumed valid." 35 U.S.C. §282. The burden of establishing invalidity "shall rest on a party asserting it." Ibid. And the defenses of invalidity of the patent, noninfringement, or any other fact or act made a defense under the statute,

"shall be pleaded." Ibid.

Second, patent litigation is a very costly process. Blonder-Tongue, supra, at 334. The average cost for litigating a patent is about \$50,000. Id. at 335. But costs to a party asserting invalidity exceed those of the patentee, for he must introduce evidence to overcome the presumption of validity and rebut proof offered by the patentee in support of validity. Ibid. And in the end, the financial burden may run to hundreds of thousands of dollars (id. at 336), even though the court "in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. §285. For this reason, one of the benefits of accepting a license from a patentee (or, as here, a sub-license from a licensee) is avoiding defense of an expensive infringement action. Lear, Inc. v. Adkins, 395 U.S. 653, 669 (1969). Thus, being expensive, no one embarks upon patent litigation lightly. Blonder-Tongue, supra, at 336, n.28.

Third, the public has an interest in the outcome. A patent is a privilege. Mercoird Corp. v. Mid-Continent Investment Co., 320 U.S. 661, 665 (1944). It results from invention and is limited to the invention which it defines. Ibid. Being an exception to the general rule against

monopolies, its social and economic consequences

"...give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."

Prescision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 816 (1945). In support of this paramount interest of the public, obstacles to suit by those disposed to challenge the validity of a patent have been removed. E.g., a manufacturer of a device need not await the filing of an infringement action in order to test the validity of a competitor's patent; instead, he may institute his own suit under the Declaratory Judgment Act. Kerotest Mfg. Co. v. C-O-Two Co., 342 U.S. 180 (1952). See also Lear, Inc. v. Adkins, 395 U.S. 653 (1969), holding that in an action to recover royalties under a license agreement the licensee is not estopped to deny the validity of the underlying patent. Id. at 670-671.

On this motion, as I read the record presented, the court should conclude that for considerations of convenience and justice, avoiding impediments to the prosecution of this action, Midway's desire to go forward with its

case in this district should not be disturbed. The reason is that Magnavox has failed to sustain its burden of showing that the Northern District of Illinois, Eastern Division, would be more convenient for the parties and witnesses and the interest of justice would be better served there. In support of this conclusion the record would support findings of fact along the following lines:

Sanders is the owner of four patents; Magnavox is its exclusive licensee. Midway has been accused by Magnavox of infringing the patents. After at least a preliminary study Midway's patent counsel determined that either the four patents in suit were invalid or the accused device manufactured by Midway was not an infringement of those patents. Midway's general counsel, having this opinion by patent counsel, determined that a sub-license agreement proffered by Magnavox was not acceptable. Unwilling to await the filing of an infringement action, Midway instituted its own suit for declaratory judgment and related relief concerning the four patents. Its choice of this court as the forum for its claims was based on serious reasons, not wholly frivolous, having a valid connection with this district. This is not a so-called

"customer suit."

The consolidated case pending in the Northern District of Illinois was commenced subsequent to this action. It was brought by Magnavox, Sanders being added as a party plaintiff in the first action but named originally as a plaintiff in the second, for infringement of two of the four patents involved here. Midway was added as a defendant in the first case there, which also names as defendants Bally (Midway's parent company) and Empire (another subsidiary of Bally). Empire sells devices relating to video games; Bally neither manufactures nor sells such devices. In the consolidated case there are at least four defendants unrelated to Midway. The accused devices manufactured by at least two of the unrelated defendants there are different from the device manufactured by Midway; each accused device will stand or fall on its own merit, as will the validity of each of the four patents.

The processes leading to the four patents were developed at Sanders facilities in Nashua, New Hampshire, where all the inventors reside and where Sanders documents and personnel having knowledge of discoverable matter are located. Sanders has a sales office in New York City.

Magnavox has its headquarters and executive offices in New York City, although it retained Chicago trial counsel for this action. Magnavox has its principal place of business in Fort Wayne, Indiana, where prospective witnesses are employed or reside. Magnavox manufactures devices under its license in Greenville, Tennessee; the devices were designed at Magnavox's facilities in Fort Wayne.

Both Sanders and Magnavox are licensed to do business in Illinois.

Midway manufactures a device accused of infringing all the patents involved in this action. It has its principal place of business in a suburb of Chicago, where the accused device is manufactured. The device was designed largely in California by Atari, Inc., which was named as a defendant in the Chicago case but was dropped as a party there by stipulation of Sanders and Magnavox. Midway's trial counsel has its office in Chicago.

Convenience

Midway selected this court, raising issues involving four patents held by Sanders and licensed to Magnavox.

At the outset of the Chicago case Magnavox had to make adjustments in the parties by motion practice, Sanders being added as a plaintiff, Midway being added as a defendant, and Atari and Allied being dropped as defendants. Not all the issues raised here are presented there, and vice versa, two additional patents being involved in this action and at least two additional accused devices being involved in the consolidated cases pending in Chicago. But all the issues between all the parties here are presented here.

If this action remains here it will proceed to trial through pre-trial discovery proceedings where Magnavox has an important office (its headquarters and executive office); if it is transferred to Chicago, Magnavox's nearest office (and its personnel and records) will be not only in another district but in another State. Moreover, the Magnavox office in Fort Wayne has been characterized by Magnavox counsel as the "principal" office of certain personnel. It is reasonable to assume from this that those persons travel from time to time to Magnavox's headquarters in this city. It is equally reasonable to assume that Magnavox records are either maintained at its headquarters, can be transferred here or can be copied and then sent here with minimal disruption of

its business. But if this case were transferred to Chicago, production of personnel and documents being made to flow in the opposite direction (from this city to Fort Wayne, Indiana), it would hardly seem to be more convenient.

Sanders maintains a sales office in this city; however, it prefers to make document production at its office in Nashua, New Hampshire, and pursuant to Rule 33(c) it has specified certain of its business records in response to interrogatories propounded by Midway. In discovery proceedings Midway proposes to inspect Sanders facilities where the processes leading to the patents were developed, to examine Sanders personnel and inspect Sanders records, and to examine all the inventors. It would hardly seem more convenient to initiate these discovery proceedings by transporting all those facilities, personnel, records and inventors from New Hampshire to Chicago as Magnavox offers to do. At all events, on the record presented, it cannot be found that Sanders personnel and all the inventors would deem it more convenient to travel to Chicago than to New York City, or indeed that they would be willing to make

the necessary travel by air. Riso Kagaku Corporation v. A.B.Dick Co., 300 F.Supp. 1007 (SDNY 1969).

Interest of Justice

Midway has submitted the names of some 19 additional witnesses. It represents that Magnavox's answers to interrogatories show they have knowledge of discoverable matter under Rule 26(b)(1), concerning the alleged invalidity of the Sanders patents, and that they all are located on the East Coast. This allegation and these prospective witnesses may well constitute the heart of Midway's case. Under the applicable law, however, this sort of case must be proved by Midway, and proved to the extent necessary to overcome the presumption in favor of Sanders (and Magnavox) that the four patents in suit are valid. Certainly, if litigation of this action were to remain on the East Coast where the witnesses are located, and counsel would have to travel, costs to Midway would be far less than if this action were transferred to Chicago where counsel are located but the 19 witnesses would have to travel. Having in mind the public interest in the outcome of patent litigation, Justice might well set its face against transfer for this reason alone.

III

As alternative relief on this motion Magnavox seeks (a) an order dismissing the complaint, or (b) an order staying all further proceedings in this action pending final disposition of the consolidated cases now pending in the Northern District of Illinois. On the record presented, and in the exercise of discretion, neither application should be granted.

(a) Magnavox seeks an order dismissing the complaint, because (it says) the "same issues" raised in this action "are involved" in the Chicago case. Its application for this relief is addressed to the sound discretion of the District Court. Hammett v. Warner Brothers Pictures, 176 F.2d 145, 148 (CA2 1949). The standard governing such an exercise of discretion is whether this action will serve a useful purpose, or could be of some practical convenience to the parties. Id. at 149. As I read the record, this question should be answered in the affirmative, for these reasons:

First, all the issues raised in this action are not present in the consolidated cases in Chicago. Here Midway

seeks declaratory and injunctive relief with respect to four patents, two of which are not part of Sanders and Magnavox's infringement actions there.

Second, all the issues raised in the consolidated cases pending in Chicago, in the present posture of those cases, are not raised in this action. There Sanders and Magnavox have joined as defendants manufactures not related to Midway, and at least two defendants there unrelated to Midway are charged with infringement of the two patents there in suit by manufacturing or selling devices different from the device manufactured by Midway.

Third, all the issues between Midway on one side and Sanders and Magnavox on the other are raised in this action.

Thus, a final disposition of the case in Chicago would not settle the entire controversy between the parties here, even as a final disposition of this action would not settle the entire controversy between the plaintiffs and the unrelated defendants and Midway there. But there can be a complete determination of all the issues between the parties to this action in this action, and at this juncture only here can all these issues be determined. Furthermore,

on this motion there is no question that the issues raised in this action are not so complex and unyielding that they could not be resolved by this court as urged by Midway in its complaint.

It follows, it seems to me, that this action will serve a useful purpose and could be of some practical convenience to the parties.

(b) Magnavox seeks an order staying further proceedings in this action, because (it says) "the Illinois action will be substantially determinative of the issues in this action."

This action was commenced three days before the first case was filed in Illinois and some four months and 18 days before the second case was filed there. Midway was added as a party defendant there one month and 10 days after this action had been commenced; the two cases were consolidated six months and thirteen days after this action had been commenced. From any starting point, this action was the first commenced. As the first action to present all the issues between the parties, it should not be stayed in favor of second and third actions, absent a showing of a balance of convenience in favor of the later-filed actions. Mattel, Inc. v. Louis Marx & Co., 353 F.2d 421 (CA2 1965).

In my view, as explained in Part II-B of this report, Magnavox has not made the requisite showing of a balance of convenience in favor of the consolidated cases pending in the Northern District of Illinois, and therefore no stay should be granted.

Accordingly, it is my recommendation that this motion by Magnavox should be denied in all respects.

Dated: New York, N.Y.
July 28, 1975

Respectfully submitted,

C. J. Hartenstine
Charles J. Hartenstine
United States Magistrate

UNITED STATES GOVERNMENT

Memorandum

RECEIVED
FITZ, EVEN,
TADIN & LUEDEKA

SEP 12 1975

TO : Judge Motley

DATE: Sept. 10, 1975

FROM : Magistrate Hartenstine

SUBJECT: Midway Mfg. Co. v. The Magnavox
Company and Sanders Associates, Inc.
74 Civ. 1657 (CBM)

The motion of defendant The Magnavox Company ("Magnavox") under Rule 26(c) of the Federal Rules of Civil Procedure was referred to me to hear and report my recommendations. It seeks an order (1) directing that the interrogatories served by plaintiff ("Midway") on defendant Sanders Associates, Inc. ("Sanders"), and Magnavox on July 22 and 23, 1974, respectively, not be answered; or in the alternative (2) directing that these interrogatories not be answered until 30 days after this court's determination of Magnavox's motion to transfer this action to the Northern District of Illinois, Eastern Division, or dismiss this action in favor of the case of The Magnavox Company v. Bally Manufacturing Corporation, which is pending there, or stay this action pending disposition of that case.

Having heard the attorneys for the parties to the motion, and having submitted my report recommending that Magnavox's motion to transfer, dismiss or stay this action be denied in

all respects, my recommendation is that this motion by Magnavox should be denied in all respects, but without prejudice to the defendants invoking the provisions of Rule 33 with respect to these interrogatories.

I

This action was commenced April 12, 1974. Contrary to counsel's memorandum in support of this motion (at page 1), this is not "an action for patent infringement...." It is an action for a declaratory judgment that the four patents in suit (owned by Sanders and licensed exclusively to Magnavox) are invalid, or that the devices relating to video games manufactured and sold by Midway do not infringe these patents.

On April 15, 1974, Magnavox commenced the action pending in the Northern District of Illinois, Eastern Division, against Bally Manufacturing Corporation (Midway's parent company) and others, alleging patent infringement; one month and seven days later, Sanders was added as a plaintiff in that action and Midway was added as a defendant. On August 30, 1974, Magnavox and Sanders commenced a second action for patent infringement in that court against four

defendants not parties to the first action there. On October 25, 1974, those two cases were consolidated for all purposes under the lower docket number.

While the two consolidated cases pending in Illinois are actions for patent infringement, they involve only two of the four patents involved in this declaratory action. At least four of the defendants there are unrelated to Midway, and the accused devices manufactured by at least two of those unrelated defendants are different from the devices manufactured by Midway. For these reasons, it seems to be undisputed that each accused device will stand or fall on its own merit, as will each of the four patents.

Answers to the complaint here have not been served pending disposition of the motion to transfer, dismiss or stay this action, and answers to the interrogatories that are the subject of this motion have not been served pending disposition of this motion.

II

Rule 26 provides that parties may obtain discovery by written interrogatories (Subdivision (a)), regarding any matter not privileged which is relevant to the subject

matter involved in the pending action (Subdivision(b)(1)). Rule 26 further provides (Subdivision(c)) that upon motion by a party from whom discovery is sought, and "for good cause shown," the court in which the action is pending may make any order which justice requires to protect a party from "annoyance, embarrassment, oppression, or undue burden or expense," including (1) that the discovery not be had, or (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place. In pressing this motion under Rule 26(c) Magnavox contends that

"To require defendants to respond to plaintiff's interrogatories at this time would result in needless duplication of effort both on the part of the courts and the parties." (Memorandum dated October 15, 1974, in support of motion, at pages 4-5)

In support of this contention Magnavox submitted the October 11, 1974, affidavit of Theodore W. Anderson, one of its attorneys. Mr. Anderson states that Midway's interrogatories to the defendants here are "virtually identical" to the interrogatories served by Midway on Magnavox and Sanders in the consolidated cases pending in Illinois (¶¶2-3).

Apart from the discovery sought here, it is undisputed that on May 29, 1975, Magnavox and Sanders served their answers to Midway's second set of interrogatories, which had been served April 29, 1975. Therein, the defendants state (in response to Midway's interrogatories) that neither defendant charges Midway with infringement or contributory infringement of the two patents in suit here that are not included in the consolidated cases pending in Illinois. (See Interrogatories 82 to 84, inclusive.)

In my view the record presented on this motion does not show the requisite "good cause" for this court to grant Magnavox's motion for a protective order. Indeed, it seems to me, the opposite is true. As I read the record, there is good cause shown why Midway should be permitted to go forward with its proposed discovery by way of interrogatories to the defendants in this action, and without further delay.

First, the Declaratory Judgment Act (28 U.S.C. §2201) is limited to "a case of actual controversy...." Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239-240 (1937).

There

"...must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts....Where there is such a concrete case admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged, the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require the award of process or the payment of damages." Id. at 241.

In this case, on April 12, 1974, when the complaint was filed, there was an actual controversy between Midway on one side and Magnavox and Sanders on the other. The complaint sets forth the scope of that controversy. It alleges that Magnavox had asserted itself to be the exclusive licensee of Sanders (¶6) with respect to four alleged patents (¶5), and that

"...Magnavox has charged that the manufacture ...and sale [by Midway] of certain...coin-operated amusement machines and devices constitute infringement of said patents and has threatened plaintiff [Midway] with suit for infringement of said patents unless plaintiff takes a license and becomes a sub-licensee of defendant Magnavox under said patents." (¶7)

More particularly, as alleged in the complaint, a charge of infringement of the four patents was made by Magnavox, which had the authority to make it. Midway was engaged in a business which was the subject of Magnavox's charge of infringement. And Magnavox had threatened to file an infringement suit against Midway. Under the cases, there was pleaded a case of actual controversy concerning the four patents within the Declaratory Judgment Act. Drew Chemical Company v. Hercules Incorporated, 407 F.2d 360 (CA2 1969); Dr. Beck & Co. v. General Electric Company, 317 F.2d 538 (CA2 1963); Blessings Corporation v. Altman, 373 F. Supp. 802 (SDNY 1974); ICE Corporation v. Armco Steel Corp., 201 F. Supp. 411 (SDNY 1961). See also Aetna Life Ins. Co. v. Haworth, *supra*, 300 U.S. at 242-244. Cf. Scheuer v. Rhodes, 416 U.S. 232, 236-237 (1974).

Second, jurisdiction is determined by the state of affairs when an action is commenced. Smith v. Sperling, 354 U.S. 91, 93 n.1 (1957). Generally, subsequent events are not to be considered (*ibid.*), although in actions which legally fall within the jurisdictional requirements

of the Declaratory Judgment Act the District Court in its discretion may decline to exercise jurisdiction.

Dr. Beck and Co. v. General Electric Company, supra, 317 F.2d at 539. As pointed out in Public Affairs Press v. Rickover, 369 U.S. 111 (1962),

"The Declaratory Judgment Act was an authorization, not a command. It gave the federal courts competence to make a declaration of rights; it did not impose a duty to do so." Id. at 112.

Conceivably, as it is developed in pre-trial discovery proceedings, the record here may prove to be an unsatisfactory basis on which to entertain this action for declaratory relief. Cf. Forest Laboratories, Inc. v. Formulations, Inc., 299 F. Supp. 202 (ED Wis.1969), aff'd 452 F.2d 621, 629 (CA7 1971).

Nevertheless, at this juncture, defendants' answers to Midway's second set of interrogatories, disclaiming charges of infringement or contributory infringement, do not serve effectively as a matter of law to divest this court of jurisdiction to issue a declaratory judgment with respect to any of the four patents here in suit. This was made clear by this court in E.J. Brooks Co. v. Stoffel Seals Corporation, 160 F. Supp. 581 (SDNY 1958),

where Judge Dawson wrote:

"Defendant cannot create a situation of actual controversy which gives the court jurisdiction under the Declaratory Judgment Act and then, after the commencement of suit, come into court and seek to avoid the jurisdiction of the court by belated concessions that there was no infringement." 160 F. Supp. at 593.

Thus, Midway's first set of interrogatories here may well be "virtually identical" to interrogatories served by Midway in the consolidated cases pending in the Northern District of Illinois, as asserted by defendants' counsel. But it does not follow, as they contend, that defendants' answers here to these interrogatories would result in needless duplication of effort. For "the subject matter involved in [this] pending action," as that phrase is used in Rule 26(b)(1), includes an "actual controversy" concerning two patents within the Declaratory Judgment Act which is not only not presented in the consolidated cases for patent infringement but also will not be presented there. And this is so whether Magnavox's motion to transfer, dismiss or stay this action is granted or denied.

Accordingly, Magnavox's motion for a protective order should be denied.

A proposed endorsement to the notice of motion in accordance with this recommendation is attached to this memorandum, and the motion papers are herewith returned.

Respectfully,

A handwritten signature in cursive script, reading "C. J. Hartenstine".

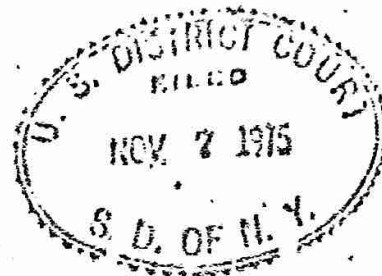
Charles J. Hartenstine

Attachments

cc: To Counsel

CR
#16
#17

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



-----X
MIDWAY MFG. CO.,

Plaintiff,

-v-

74 CIV. 1657

THE MAGNAVOX COMPANY and
SANDERS ASSOCIATES, INC.,

Defendants.
-----X

#43360

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CONSTANCE BAKER MOTLEY, D. J.

MEMORANDUM OPINION AND ORDER

This is a motion by defendant, The Magnavox Company, seeking 1) an order pursuant to 28 U.S.C. § 1404(a) transferring this action to the United States District Court for the Northern District of Illinois, Eastern Division; or 2) an order dismissing the action on the ground that the same issues are involved in The Magnavox Company v. Bally Manufacturing Corporation, et al., 74 C 1010, an action pending in the

Northern District of Illinois; or 3) an order staying any further proceedings in this case pending the outcome of the Illinois action on the ground that the latter case will be substantially determinative of the issues in the case at bar. These motions are denied in all respects.

A party seeking to transfer an action must establish that such a transfer is "in the interest of justice" and that the proposed transferee district is more convenient than the district in which the plaintiff chose to bring his action. See U. S. Industries, Inc. v. The Procter & Gamble Company, 348 F.Supp. 1265, 1268 (S.D.N.Y. 1972) and cases cited therein. Defendants have failed to make such an "appropriate affirmative showing" as would warrant the invocation of this court's discretionary power to transfer this case to Illinois. Defendants contend that the interest of justice requires that this case be transferred. Specifically, they cite a number of factors which, they argue, should receive great weight in assessing the propriety of a transfer. In their view, the pendency of three related actions in different districts, the relative congestion of the court dockets where the cases are to be tried, plaintiff's alleged lack of good faith in detailing East Coast witnesses it plans to call, plaintiff's alleged "forum shopping", the fact that the same

patents are allegedly at issue in the two cases, and considerations of convenience for the proposed witnesses should lead to the conclusion that this action should be transferred to Illinois.

The court does not find any of the factors cited to be so compelling as to warrant granting the requested relief. Apparently the only genuinely new fact raised by defendants at this time is that another action involving the same patents has been instituted against these defendants in California by a different plaintiff. The pendency of this third action does not so affect the interest of justice as to require a rejection of the magistrate's report and recommendations which the court accepts.

While the legal standard governing the motion to transfer is not applicable per se to the motions to dismiss or to stay this action, the same considerations which support a decision not to transfer this action also warrant the conclusion that it should neither be dismissed nor stayed. These factors are amply dealt with in the magistrate's report.

Defendants' motions to transfer, to dismiss, or to stay this action are denied in all respects.

Dated: New York, New York

November 5, 1975

SO ORDERED

CONSTANCE BAKER MOTLEY
U.S.D.J.

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

DEC 24 1975

MIDWAY MFG. CO.,
a Corporation,
Plaintiff,

v.

THE MAGNAVOX COMPANY,
a Corporation,
and
SANDERS ASSOCIATES, INC.,
a Corporation,
Defendants.

Civil Action
No. 74 Civ. 1657 CBM

JURY DEMANDED

ANSWER AND COUNTERCLAIM

Defendants, The Magnavox Company and Sanders Associates, Inc., through their undersigned attorneys, respond to the complaint in the above-identified action as follows:

1. Defendants admit the allegations of paragraph 1 of the complaint.
2. Defendants admit that defendant The Magnavox Company is a corporation organized and existing under the laws of the State of Delaware but otherwise deny each and every allegation of paragraph 2 of the complaint.
3. Defendants admit the allegations of paragraph 3 of the complaint.
4. Defendants admit the allegations of paragraph 4 of the complaint.
5. Defendants admit that an actual and justiciable controversy now exists between plaintiff and defendants with respect to United States Letters Patent 3,659,284 and 3,659,285 but deny that an actual and justiciable controversy now exists between plaintiff and defendants with respect to United States Letters Patent 3,728,480 and 3,778,058 and otherwise deny each

and every allegation of paragraph 5 of the complaint.

6. Defendants admit the allegations of paragraph 6 of the complaint.

7. Defendants admit that plaintiff is in the business of manufacturing and selling various types of coin-operated amusement machines and devices, admit that defendant The Magnavox Company has charged that the manufacture, use and sale of certain of such coin-operated amusement machines and devices constitute infringement of United States Letters Patent 3,659,284 and 3,659,285, and admit that a civil action has been filed by defendants in the United States District Court for the Northern District of Illinois, Civil Action No. 74 C 1030, charging that said United States Letters Patent 3,659,284 and 3,659,285 are infringed by plaintiff, but otherwise deny each and every allegation of paragraph 7 of the complaint.

8. Defendants deny each and every averment of paragraph 8 of the complaint.

9. Defendants deny each and every averment of paragraph 9 of the complaint.

10. Defendants deny each and every allegation of paragraph 10 of the complaint.

11. Defendants deny each and every allegation of paragraph 11 of the complaint.

Further responding to the complaint herein, defendants state the following as a counterclaim against plaintiff:

12. This counterclaim arises under the patent laws of the United States, Title 35, United States Code. Jurisdiction of this Court is based on Title 28, United States Code, Section 1338(a).

13. Plaintiff, Midway Mfg. Co., is a corporation organized and existing under the laws of the State of Illinois.

14. Defendant The Magnavox Company is a corporation organized and existing under the laws of the State of Delaware.

15. Defendant Sanders Associates, Inc. is a corporation organized and existing under the laws of the State of Delaware.

16. On April 25, 1972, United States Letters Patent 3,659,284 duly and legally issued to defendant Sanders Associates, Inc. as assignee of William T. Rusch for an invention in TELEVISION GAMING APPARATUS and since that date, and until August 5, 1975, defendant Sanders Associates, Inc. was the owner of that Letters Patent 3,659,284.

17. On August 5, 1975, United States Letters Patent 3,659,284 was duly and legally reissued as United States Letters Patent Re. 28,507 to defendant Sanders Associates, Inc. and since that date defendant Sanders Associates, Inc. has been and still is the owner of that Letters Patent Re. 28,507.

18. On April 25, 1972, United States Letters Patent 3,659,285 duly and legally issued to defendant Sanders Associates, Inc. as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison for an invention in TELEVISION GAMING APPARATUS AND METHOD and since that date, and until October 28, 1975, defendant Sanders Associates, Inc. was the owner of that Letters Patent 3,659,285.

19. On October 28, 1975, United States Letters Patent 3,659,285 was duly and legally reissued as United States Letters Patent Re. 28,598 to defendant Sanders Associates, Inc. and since that date defendant Sanders Associates, Inc. has been and still is the owner of that Letters Patent Re. 28,598.

20. By an agreement entered into between defendant Sanders Associates, Inc. and defendant The Magnavox Company effective January 27, 1972, defendant The Magnavox Company has been and still is the exclusive licensee under said United States Letters Patent 3,659,284, 3,659,285, Re. 28,507, and

Re. 28,598, with the right to bring actions for infringement of said Letters Patent.

21. Plaintiff has been for a long time past and still is infringing said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 by making, using and selling game apparatus embodying the subject matters of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

22. Plaintiff's infringements of said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 were and are willful and with full knowledge of said Letters Patent.

23. Defendant The Magnavox Company has placed the notice prescribed at Title 35, United States Code, Section 287(a) on all game apparatus manufactured and sold by it under said Letters Patent and has given written notice to plaintiff of said infringements of said Letters Patent.

WHEREFORE, defendants demand:

- (1) A preliminary and final injunction against continued infringement of said Letters Patent Re. 28,507 and Re. 28,598 by plaintiff;
- (2) An accounting of the damages to defendants and the profits to plaintiff caused by said infringements of Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598;
- (3) An assessment of three times the damages and profits so determined;
- (4) A dismissal of the complaint;
- (5) A trial by jury of all issues triable of right by a jury;
- (6) An award of reasonable attorney fees; and
- (7) An assessment of interest and costs against

defendants.



John Thomas Cella

Fitzpatrick, Cella, Harper & Scinto
Attorneys for Defendants
277 Park Avenue
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(212) 758-2400

Dated: December 22, 1975

Of Counsel:

Theodore W. Anderson
James T. Williams
Neuman, Williams, Anderson & Olson
77 West Washington Street
Chicago, Illinois 60602

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY, a)
Corporation, and SANDERS)
ASSOCIATES, INC., a)
Corporation,)

Plaintiffs,)

v.)

Civil Action
No. 74 C 1030

BALLY MANUFACTURING)
CORPORATION, a Corporation,)
CHICAGO DYNAMIC INDUSTRIES,)
INC., a Corporation,)
EMPIRE DISTRIBUTING, INC.,)
a Corporation, and MIDWAY MFG.)
CO., a Corporation,)

Defendants.)

SECOND AMENDED COMPLAINT
FOR PATENT INFRINGEMENT

1. This action arises under the patent laws of the United States, Title 35, United States Code. Jurisdiction of this Court is based on Title 28, United States Code, Section 1338(a).

2. Plaintiff The Magnavox Company is a corporation organized and existing under the laws of the State of Delaware.

3. Plaintiff Sanders Associates, Inc. is a corporation organized and existing under the laws of the State of Delaware.

4. Defendant Bally Manufacturing Corporation is a corporation organized and existing under the laws of the State of Delaware.

A (2)

5. Defendant Chicago Dynamic Industries, Inc. is a corporation organized and existing under the laws of the State of Illinois.

6. Defendant Empire Distributing, Inc. is a corporation organized and existing under the laws of the State of Illinois.

7. Defendant Midway Mfg. Co. is a corporation organized and existing under the laws of the State of Illinois.

8. On April 25, 1972, United States Letters Patent 3,659,284 issued to plaintiff Sanders Associates, Inc. as assignee of William T. Rusch for an invention in TELEVISION GAMING APPARATUS and since that date, and until August 5, 1975, plaintiff Sanders Associates, Inc. was the owner of that Letters Patent 3,659,284.

9. On August 5, 1975, United States Letters Patent 3,659,284 was reissued as United States Letters Patent Re. 28,507 to plaintiff Sanders Associates, Inc. and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of that Letters Patent Re. 28,507.

10. On April 25, 1972, United States Letters Patent 3,659,285 issued to plaintiff Sanders Associates, Inc. as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison for an invention in TELEVISION GAMING APPARATUS AND METHOD and since that date, and until October 28, 1975, plaintiff Sanders Associates, Inc. was the owner of that Letters Patent 3,659,285.

11. On October 28, 1975, United States Letters Patent 3,659,285 was reissued as United States Letters Patent Re. 28,598 to plaintiff Sanders Associates, Inc. and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of that Letters Patent Re. 28,598.

12. By an agreement entered into between plaintiff Sanders Associates, Inc. and plaintiff The Magnavox Company effective January 27, 1972, plaintiff The Magnavox Company has been and still is the exclusive licensee under said United States Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598, with the right to bring actions for infringement of said Letters Patent.

13. Defendants Chicago Dynamic Industries, Inc. and Midway Mfg. Co. have been for a long time past and still are separately and independently infringing said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 by making, using, and selling gaming apparatus embodying the subject matters of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

14. Defendants Bally Manufacturing Corporation, Empire Distributing, Inc., and Midway Mfg. Co. have been for a long time past and still are jointly infringing said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 by making, using, and selling gaming apparatus embodying the subject matters of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

15. Defendants Bally Manufacturing Corporation and Empire Distributing, Inc. have been for a long time past and still are jointly infringing said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 by selling gaming apparatus manufactured by others of the defendants herein as well as other parties and embodying the subject matters of the claims of said Letters Patent and will continue to do so unless enjoined by this Court.

17. Each of defendant's infringements of said Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598 were and are willful and with full knowledge of said Letters Patent.

18. Plaintiff The Magnavox Company has placed the notice prescribed at Title 35, United States Code, Section 287(a) on all gaming apparatus manufacturing and sold by it under said Letters Patent and has given written notice to defendants of said infringements of said Letters Patent.

WHEREFORE, plaintiff demands a preliminary and final injunction against continued infringement of said Letters Patent Re. 28,507 and Re. 28,598 by each of defendants, an accounting of the damages to plaintiff and the profits to defendants caused by said infringements of Letters Patent 3,659,284, 3,659,285, Re. 28,507, and Re. 28,598, an assessment of three times the damages and profits so determined, an award of reasonable attorney fees, and an assessment of interest and costs

against defendants.


Theodore W. Anderson

77 West Washington Street
Chicago, Illinois 60602

(312) 346-1200

November 3, 1975

Of Counsel:

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Daniel Webster Highway, South
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Neuman, Williams, Anderson & Olson
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Chicago, Illinois 60602

1974 PENDING CIVIL CASES

: O R D E R

All 1974 Civil Cases presently pending and assigned to the undersigned judge of this Court will proceed to trial in the order listed commencing JUNE 1, 1976. Twenty-four hours' notice of actual commencement of trial will be given.

1. All pretrial discovery must be completed by April 1, 1976.
2. All pretrial memoranda must be filed by April 15, 1976.
3. All pretrial orders must be filed by May 1, 1976.
4. All exhibits must be pre-marked on or before May 17, 1976.
5. A list of all exhibits to be actually used on the trial and a list of all witnesses must be furnished to the court and opposing counsel on May 28, 1976.

Counsel for plaintiff in each case has the responsibility to see to it that this schedule is adhered to by all parties. Failure of any party to comply with this schedule will result in the entry of judgment against such party.

No extensions of time to comply with this schedule will be granted.

Dated: New York, New York

January 21, 1976

SO ORDERED

Constance B. Motley
CONSTANCE BAKER MOTLEY
U. S. D. J.

IN THE UNITED STATES DISTRICT
COURT FOR THE SOUTHERN DISTRICT
OF NEW YORK

ENDORSEMENT:

The plaintiff's motion to extend time for completion of pretrial discovery until May 1, 1976 is granted. All other pretrial schedule dates are adjusted accordingly one month as requested by defendants.

N.Y., N.Y.
April 13, 1976

So ordered:

Constance Baker Motley
U.S.D.J.

MICRAY MFG. CO.,
a Corporation,

Plaintiff,

-vs-

THE MAGNANON COMPANY,
a Corporation,

and

SANDERS ASSOCIATES, INC.,
a Corporation,
Defendants.

DEFENDANTS' RESPONSE TO
PLAINTIFF'S MOTION FOR
EXTENSION OF TIME FOR
DISCOVERY AND OTHER PRE-
TRIAL PROCEEDINGS

FITZPATRICK, CELLA
HARTER & SCHMIDT
177 PARK AVENUE
NEW YORK, N. Y. 10017
(212) 674-8100

APR 14 1976

ENTERED

The plaintiff's motion to extend the time for completion of pretrial discovery until May 1, 1976 is granted. All other pretrial schedule dates are adjusted accordingly by one month as requested by defendants.

N. Y. N. Y.

So ordered

April 13, 1976

Constance Baker Motley

U.S.D.J.

COPY FILED

EX-2 April 13, 1976

RECEIVED & RECORDED

APR 14 1976

U.S. DISTRICT COURT

4. In answer to the allegation of paragraph 15 of the Counterclaim, Plaintiff admits that Defendant Sanders Associates, Inc. (SANDERS) is a corporation of the State of Delaware.

5. In answer to the allegation of paragraph 16 of the Counterclaim, Plaintiff admits that U.S. Patent 3,659,284 issued on April 25, 1972 to Defendant SANDERS as assignee of William T. Rusch; denies that said patent was duly or legally issued; denies that said patent discloses or claims any invention; and does not have sufficient knowledge or information to form a belief as to the truth of the allegation that Defendant SANDERS was the owner of that patent since that date and until August 5, 1975.

6. In answer to paragraph 17 of the Counterclaim, Plaintiff admits that U.S. Patent 3,659,284 was reissued as Reissue Patent Re.28,507 to Defendant SANDERS on August 5, 1975; denies that said patent was duly or legally reissued; and does not have sufficient knowledge or information to form a belief as to the truth of the allegation that Defendant SANDERS is and has been the owner of the Reissue Patent Re.28,507.

7. In answer to paragraph 18 of the Counterclaim, Plaintiff admits that U.S. Patent 3,659,285 issued on April 25, 1972 to Defendant SANDERS as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison; denies that said patent was duly or legally issued; denies that said patent discloses or claims any invention; and does not have sufficient knowledge or information to form a belief as to the truth of the allegation that Defendant SANDERS was the owner of that patent since that date until October 28, 1975.

8. In answer to paragraph 19 of the Counterclaim, Plaintiff admits that U.S. Patent 3,659,285 was reissued as Reissue Patent Re.28,598 to Defendant SANDERS on October 28, 1975; denies that said patent was duly or legally reissued; and does not have sufficient knowledge or information to form a belief as to the truth of the allegation that Defendant SANDERS is and has been the owner of the Reissue Patent Re.28,598.

9. Plaintiff does not have sufficient knowledge or information to form a belief as to the truth of the allegations of paragraph 20.

10. Plaintiff denies each and every allegation of paragraph 21.

11. Plaintiff denies each and every allegation of paragraph 22.

12. In answer to paragraph 23 of the Counterclaim, Plaintiff admits that it has been given written notice of infringement of Patents 3,659,284; 3,659,285; Re.28,507 and Re.28,598 by the service of Defendants' Counterclaim on its attorneys; and, with respect to the remaining allegations of paragraph 23, Plaintiff does not have sufficient knowledge or information to form a belief as to the truth of the allegations.

Further and affirmatively answering Defendants' Counterclaim, Plaintiff states:

13. Plaintiff has not infringed any of Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598, and denies that the manufacture, use or sale of any of its amusement devices constitutes infringement of said patents, or that such devices embody the subject matters of the claims of said patents.

14. Each and every claim of Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are invalid and void for one or more of the following reasons:

- (a) The applicants for said patents were not the original and first inventors or discoverers of any material or substantial part of the subject matter of the claims of said patents.
- (b) The subject matter of the claims of said patents insofar as the same may have been original with the applicants was not sufficiently new and useful to warrant the issuance of a patent thereon.
- (c) The descriptions of the alleged inventions of the claims of said patents are not made in such full, clear, concise and exact terms as to enable one skilled in the art to make and use the same, nor do said patents set forth the best mode contemplated by the applicants for carrying out the alleged inventions.
- (d) The claims of said patents fail to point out particularly and to claim distinctly what the applicants regard as their inventions.

- (e) The subject matter of the claims of said patents, prior to the supposed invention or discovery thereof by the applicants, or more than one year prior to the filing of the respective applications therefor, was described in patents and in printed publications.
- (f) The subject matter of the claims of said patents was described in application(s) for patents of the United States filed by another prior to any date of invention to which said applicants may be entitled for such claims.
- (g) The subject matter of the claims of said patents, more than one year prior to any filing date to which said applicants may be entitled for such claims, was in public use or on sale in the United States.
- (h) The subject matter of the claims of said patents, before the alleged invention or discovery thereof by said applicants, (1) was invented by others in the United States who had not abandoned, suppressed, or concealed the same, and (2) was known or used by others in the United States.
- (i) Said applicants did not themselves, as alleged in each of said patents, invent the subject matter patented in any of the claims of said patents in suit.

- (j) Any differences between the subject matter of said claims and the prior art are such that the subject matter as a whole would have been obvious to a person of ordinary skill in the art to which the claimed subject matter pertained at the time of the alleged invention thereof by said applicants.
- (k) The applicants for said patents have unlawfully extended the patent monopoly by obtaining more than one patent on the same, or merely colorable variations of the same, alleged invention.
- (l) Said patents are invalid, void and unenforceable on the ground of double patenting.

15. Plaintiff avers that the state of the prior art at the time of the alleged invention of the subject matter of the claims of said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 was such; and the proceedings in the United States Patent & Trademark Office which resulted in the issuance of the claims of said patents were such; and the disclosures in said patents are so limited, that the claims of said patents cannot properly be construed to cover any subject matter made, used or sold by Plaintiff or sold or used by any of its customers, mediate or immediate, subsequent to the issuance of any of said patents in suit.

16. Plaintiff avers that, by reason of the proceedings in the United States Patent & Trademark Office during the prosecution of the applications which resulted in the Patents

Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598, and the admissions and the representations therein made by or on behalf of the applicants for said patents in order to induce the grant of a patent, Defendants are estopped to claim for any of the patents a construction, even if this were otherwise possible, which would cause the patent to cover or include the acts of Plaintiff of which Defendants have complained.

17. If said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are construed to cover coin-operated amusement games and/or devices manufactured and sold by Plaintiff, the patents are invalid for want of patentable invention in view of the prior art, knowledge and uses.

18. Plaintiff avers that the Reissue Patents Re.28,507 and Re.28,598 are invalid and void for the following additional reasons:

- (a) That, although the original patents 3,659,284 and 3,659,285, were "partly inoperative by reason of a defective specification" and contained claims which were "inadequate to fully protect" the alleged invention, as stated by the applicants for said reissue patents in their respective Declarations filed in the U.S. Patent & Trademark Office on April 25, 1974, such defects and inadequacies did not, in fact, occur "through error and without any deceptive intention" as stated by said applicants in their Declarations.

- (b) That each of said reissue patents is not for the same invention as was disclosed in the corresponding original patent.
- (c) That said applicants applied for said reissue patents only after being informed of the amusement devices of the Plaintiff or others, which did not employ the subject matter patented in said original patents, and then said applicants sought to improperly extend said original patents to cover the devices through reissue of said patents.
- (d) That said Declarations filed in the U.S. Patent & Trademark Office to induce it to reissue said original patents contained false statements, and that such statements were made intentionally and willfully, and render said reissue patents invalid.

19. Plaintiff avers that it has "intervening rights" and other rights provided under Title 35, U.S. Code § 252, which provide for the absence of any liability for infringement of said reissue patents in suit.

20. Plaintiff avers that it has the right to continue the manufacture, use and sale of the accused devices made, purchased or used, and the accused devices for the manufacture, use or sale of which substantial preparation was made, before the grant of said reissue patents.

21. Plaintiff avers that reissue patents Re.28,507 and Re.28,598 are invalid by reason of the applicants' non-compliance with the provisions of Title 35, U.S. Code § 251 relating to the reissue of inoperative, defective and invalid patents.

22. Plaintiff avers that the Patent & Trademark Office did not cause a proper examination to be made as to the purported inventions recited by the claims of said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598, and each of said patents was inadvertently and erroneously issued, and had such proper examination been made, it would have appeared that the applicants for each of said patents was not entitled thereto, and said patents in suit would not have issued.

23. Plaintiff avers that said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are invalid and unenforceable and that, in violation of the duty of the applicants for said patents and of the Defendants herein, the Patent & Trademark Office was not fully informed by the applicants or the Defendants of the true state of the relevant prior art and the pertinency thereof or of the true nature of the alleged inventions during the prosecution of the respective applications for said patents; that the applicants as well as the Defendants herein well knew or should have known of such prior art and of its pertinency and of the true nature of the alleged inventions during the prosecution of the respective applications for said patents; that the failure to supply such information and the lack of knowledge by the Patent & Trademark Office was a material

factor in the decision by the Patent & Trademark Office to issue said patents; and that the omissions were such that the Patent & Trademark Office would not have issued said patents if it had been correctly and completely informed by the applicants or Defendants of such omissions of fact.

24. Plaintiff avers that said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are unenforceable because of Defendants' misuse of said patents by their attempts to impose a "package license" on the Plaintiff and others.

25. Plaintiff avers that said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are unenforceable against Plaintiff because Defendants have misused said patents by wrongful exploitation, including inter alia, attempting to enforce them against Plaintiff and, upon information and belief, others, including Seeburg Industries, Inc., The Seeburg Corporation of Delaware and Williams Electronics, Inc., knowing that such patents are not infringed, are invalid, void and improperly issued and by attempting by economic coercion to compel The Seeburg Corporation of Delaware to pay for a license under said patents as well as certain other patents allegedly owned by Defendant Sanders Associates, Inc. and under which Defendant The Magnavox Company allegedly had an exclusive license with a right to sublicense even though The Seeburg Corporation of Delaware had informed The Magnavox Company that it had no conceivable interest in this entire group of patents.

26. Further answering the Counterclaim, Plaintiff avers that said Patents Nos. 3,659,284; 3,659,285; Re.28,507 and Re.28,598 are invalid and void because of fraud in their

procurement, and that Defendants have disentitled themselves from seeking any relief in this Court because of their unclean hands, and because they have been and are subverting the public policy of the patent laws of the United States by misusing said patents through the attempted enforcement of said fraudulently procured patents.

WHEREFORE, Plaintiff denies that Defendants are entitled to any relief sought in the prayer of their Counterclaim, including any right to a trial by jury, or relief of any kind against Plaintiff, and pray that said Counterclaim be dismissed for want of equity, that judgment be entered against Defendants, and that Plaintiff be granted the relief prayed in the Complaint herein and be awarded its taxable costs, attorneys fees and other disbursements on account of this litigation, and such other and further relief as justice may require.

Respectfully submitted,

MIDWAY MFG. CO.

By

Richard A. Huettner, Esq.
Kenyon & Kenyon Reilly Carr & Chapin
59 Maiden Lane
New York, New York 10038
(212) 425-7200
Attorney for Plaintiff

Of Counsel:

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Chicago, Illinois 60603
(312) 372-7842

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RECEIVED
FITCH, EVEN,
& LUEDEKA
FEB 11 1976

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- x
MIDWAY MFG. CO., :
a corporation, :
Plaintiff, :

v. :

THE MAGNAVOX COMPANY, :
a corporation, :
and :

SANDERS ASSOCIATES, INC., :
a corporation, :
Defendants. :

Civil Action No.
74-1657 (CBM)

----- x
WITHDRAWAL OF DENIAL

Plaintiff hereby withdraws its denial (plaintiff's
ANSWER TO COUNTERCLAIM, page 11) of defendants' right to
demand a trial by jury in the above captioned action.

Dated: February 9, 1976 KENYON & KENYON REILLY CARR & CHAPIN




Richard A. Huettner
59 Maiden Lane
New York, New York 10038
Tel. No. (212) 425-7200
Attorney for Plaintiff

Of Counsel:

Donald L. Welsh, Esq.
A. Sidney Katz, Esq.
Fitch, Even, Tabin & Luedeka
135 South LaSalle Street
Chicago, Illinois 60603

CERTIFICATE OF SERVICE

This is to certify that a copy of the attached
WITHDRAWAL OF DENIAL was served upon defendants through
their attorneys, Fitzpatrick, Cella, Harper & Scinto, by
depositing a copy thereof in the United States mail, postage
pre-paid to John Thomas Cella, Esq., Fitzpatrick, Cella,
Harper & Scinto, 277 Park Avenue, New York, New York 10017,
this 9th day of February 1976.


RICHARD A. HUETTNER
Kenyon & Kenyon Reilly Carr & Chapin
59 Maiden Lane
New York, New York 10038
Tel. No. (212) 425-7200
Attorney for Plaintiff

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

6

Name of Presiding Judge, Honorable

John F. GRADY

Cause No. 74 C 1030, 74 C 2510, 75 C 3153, 75 C 3933

Date 2-9-76

Title of Cause

Magnavox v. Bally Mfg.

Brief Statement
of Motion

Status

The rules of this court require counsel to furnish the names of all parties entitled to notice of the entry of an order and the names and addresses of their attorneys. Please do this immediately below (separate lists may be appended).

Names and
Addresses of
moving counsel

Representing

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Names and
Addresses of
other counsel
entitled to
notice and names
of parties they
represent.

Order the above numbered causes consolidated for the purposes of trial, causes set for trial on June 1, 1976 at 10:30 A.M. Parties to submit final pre-trial order on May 19, 1976. Cause set for status report on May 19, 1976 at 9:15 A.M.

advs. J.
~~Severed issues of patent validity and infringement from issues of patent misuse and antitrust violation~~
Reserve space below for notations by minute clerk
both for purposes of trial and discovery. Trial on June 1, 1976 on issues of patent validity and infringement. There shall be no discovery on the antitrust and misuse issues until after the trial on the question of the issues of validity and infringement.

Hand this memorandum to the Clerk.

Counsel will not rise to address the Court until motion has been called.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY, et al.,)	
)	
Plaintiffs,	)	CONSOLIDATED
	)	CIVIL ACTION NOS.
v.)	
)	
BALLY MANUFACTURING CORPORATION,	)	74 C 1030
et al.,	)	74 C 2510
	)	75 C 3153
	)	75 C 3933
Defendants.)	

MOTION OF DEFENDANTS BALLY, MIDWAY AND
EMPIRE TO STAY NON-JURY TRIAL IN
THIS ACTION IN FAVOR OF THE JURY TRIAL
IN RELATED NEW YORK ACTION

Defendants Bally Manufacturing Corporation, Midway Mfg. Co. and Empire Distributing, Inc., hereby move this Honorable Court for an order staying the non-jury trial in this action, presently scheduled for June 1, 1976, in favor of the jury trial in an earlier filed related action in the Southern District of New York, which is also scheduled for trial at the same time.

This motion is brought on the following grounds:

(1) The New York action must be tried ahead of this action to preserve the constitutional right of the parties to a trial by jury on the issues which are common to both actions.

(2) The New York action was the earliest filed action relating to the patents in suit here, and was the first action set for trial.

(3) A holding of invalidity of the patents in the New York action will be completely dispositive of this action and avoid the need for trial here, thus reducing the costs to the parties and conserving judicial resources.

MEMORANDUM IN SUPPORT OF MOTION

FACTS

The instant case consists of the four consolidated actions indicated in the caption to this paper. All of these actions involve patents owned by plaintiff Sanders which are exclusively licensed to plaintiff Magnavox and charged by plaintiffs to be infringed by the other parties to these actions, including the moving parties, Bally and its subsidiaries, Midway and Empire. Plaintiff Magnavox filed its earliest action here (74 C 1030) on April 15, 1974, against Bally and Empire (as well as against other, unrelated companies). About six weeks later Sanders was added as an additional plaintiff and Bally's subsidiary, Midway was added as a defendant.

The other consolidated actions here were filed later, in August 1974 (74 C 2510), July 1975 (75 C 3153), and September 1975 (75 C 3933), and involve a number of other companies unrelated to the moving parties, including firms who merely sell the accused products, such as Sears Roebuck & Co. and World Wide Distributors.

On April 12, 1974, prior to the filing of any of the actions here, defendant Midway, after being charged by Magnavox with patent infringement, had filed a declaratory judgment action against Magnavox and Sanders in the Southern District of New York (74 CIV 1657 CBM), seeking a judgment of invalidity and non-infringement as to four patents owned by Sanders and licensed to Magnavox. In their Answer and Counterclaim in the New York action, Magnavox and Sanders dropped their charge of infringement against Midway of two of the patents, and charged Midway with infringement of reissue versions of the other two

patents, those reissue patents being obtained by Sanders only after the New York action was filed by Midway. The originals of those reissue patents were surrendered to the Patent Office by Sanders as being defective or inoperative. Also in their Answer and Counterclaim in New York Magnavox and Sanders included a demand for a jury trial. By an order of January 21, 1976, the New York Court set the case for trial on twenty-four hour notice as of June 1, 1976, discovery to be completed by April 1, 1976 and proposed pre-trial orders and memoranda to be filed by April 15, 1976.

Thus, in the New York action the validity of the four Sanders patents (viz., No. 3,659,284, reissued as Reissue No. Re.28,507; No. 3,659,285, reissued as Reissue No. Re.28,598, No. 3,728,480 and No. 3,778,058) and the question of whether Midway's accused products infringe two patents (No. 3,659,284, reissued as Reissue No. Re.28,507 and No. 3,659,285, reissued as Reissue No. Re.28,598) are to be tried this summer before a jury.

Now, in the consolidated cases here, the validity of three of the four Sanders patents (viz., No. 3,659,284, reissued as Reissue No. Re.28,507; No. 3,659,285, reissued as Reissue No. Re.28,598 and No. 3,728,480) and the question of whether Midway's accused products infringe the same two patents as before the New York Court are also to be tried this summer, but in a non-jury trial. The issue of infringement by Midway and its accused products have also been raised here by Magnavox and Sanders through their contentions that Bally is liable for the allegedly infringing acts of its subsidiary, Midway, that Bally is liable

for the alleged sales of Midway products, and that Bally is liable as a joint infringer with Midway, as well as through their contentions that Bally's subsidiary, Empire, is liable for the sales of Midway products.

ARGUMENT

PRESERVATION OF THE CONSTITUTIONAL RIGHT TO TRIAL BY JURY

The trial here of the issues which are common to the New York action would preclude a trial by jury there on those issues under the doctrine of res judicata or collateral estoppel, and therefore the jury trial in New York must proceed first to preserve Midway's constitutional right to a trial by jury. Clear authority that the jury trial should proceed first in such circumstances is found in the opinion of the Second Circuit Court of Appeals on a Petition for Mandamus in Goldman, Sachs & Co., et al. v. Edelstein, 494 F.2d 76 (2nd Cir., 1974). As stated by that Court, at p. 78,

"For the district court to proceed with the non-jury trial of Franklin threatens destruction of Goldman, Sachs' important collateral right to a jury trial."

While in Goldman, Sachs there was one common party to the two actions and the other parties in each action were unrelated, in the present situation there are identical and related parties in both actions and therefore the principles of that case apply with even greater force.

Since Midway is the plaintiff in the New York action and a defendant here, an adjudication here would be res judicata

in New York, and would deny Midway's right to a jury trial. Also, with respect to Midway's rights, since Magnavox and Sanders contend that defendant Bally is liable for the alleged acts of infringement by Midway, and, even assuming the granting of Midway's motion to sever and transfer to New York, an adjudication here as to Bally could preclude Midway's jury trial on the same issues present in New York on the basis of collateral estoppel. The same principle applies to Empire who is charged with patent infringement by selling Midway's video games.

With respect to both actions, every issue as to the validity of the patents here is present in the New York action and every issue with respect to the infringement by sale of Midway's games here, whether by Bally, Midway or Empire, is also present in the New York action. Hence, there is no doubt but that the jury trial in New York on these issues must proceed before trial here to preserve Midway's right to have the issues tried by jury.

It makes no difference that it was Magnavox and Sanders that first demanded a jury trial in New York. As stated by the Court in *Goldman, Sachs, supra* at p. 77:

"[1] Regardless which party first demanded a jury trial in *Welch*, petitioners are clearly entitled as a matter of right to a jury trial of the issues in that case. See Rule 38(d), F.R. Civ.P.; 5 Moore, Federal Practice ¶38.45; *Yates v. Dann*, 223 F.2d 64,66 (3d Cir. 1955) ("Such a demand was made by the plaintiff. It therefore 'operated as a demand by the defendant also unless withdrawn by his consent, which was not given. *Bass v. Hoagland*, 5 Cir., 1949, 172 F.2d 205, 209, certiorari denied 1949, 338 U.S. 816, 70 S. Ct. 57, 94 L.Ed. 494.").

THE NEW YORK ACTION WAS
THE EARLIEST FILED

Trial by jury in the New York action ahead of the trial here is the natural and preferred order of trial in any event. The New York action was filed ahead of the earliest of the actions here, the motions of Magnavox and Sanders in New York to dismiss, stay or transfer that action were denied, and the New York action was scheduled for trial on twenty-four hour notice beginning June 1, 1976, prior to the time when this Court scheduled the June 1st trial date here.

From the proceedings to date, it is clear that the New York action is the principal case and that, among all of the parties opposing the patents in suit, it is Midway's attorneys who have conducted almost all of the numerous depositions which have been taken in these proceedings to develop the evidence on the invalidity of the patents.

Clearly, then, the natural order of trial should be maintained and the trial in this action should be stayed for this additional reason.

TRIAL OF THE NEW YORK ACTION
MAY BE DISPOSITIVE OF THE CASES HERE
AND THUS CONSERVE JUDICIAL RESOURCES


Since the validity of every patent in issue here is already scheduled for trial in New York, a holding of invalidity of the patents there will mean that no further patent trials will be necessary, here or anywhere else. Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971); Technograph Printed Circuits, Ltd. v. Methode Electronics, Inc.,

484 F.2d 905 (7th Cir. 1973).

The trial of the present four consolidated actions involves many different parties as accused infringers and many different kinds of accused video games made and/or sold by each of those parties, while Midway is the only accused infringer in the New York action. Thus, the New York trial will be shorter and less complex, and if the patents are held to be invalid it will conserve the resources of this Court and the parties to the actions here.

CONCLUSION

It is submitted that for all of the above reasons, this motion should be granted to stay the non-jury trial in this action in favor of the jury trial scheduled for this summer in the earlier filed New York action.



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(312) 372-7842

Attorneys for Defendants Bally,
Midway & Empire

1/2/76

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY, et al.,)	
)	
Plaintiffs,	)	CONSOLIDATED CIVIL
	)	ACTION NOS.
v.	)	74 C 1030
	)	74 C 2510
BALLY MANUFACTURING CORPORATION,	)	75 C 3153
et al.,	)	75 C 3933
)	
Defendants.)	

REQUEST BY DEFENDANTS BALLY, MIDWAY
AND EMPIRE FOR A DECISION ON THEIR
MOTION TO STAY NON-JURY TRIAL

Pursuant to Rule 13(d) of the General Rules of the United States District Court for the Northern District of Illinois, Defendants Bally, Midway and Empire respectfully request this Court to decide their motion to stay the non-jury trial at the earliest possible date. Defendants' memorandum, the last one permitted by this Court, was filed on April 8, 1976.

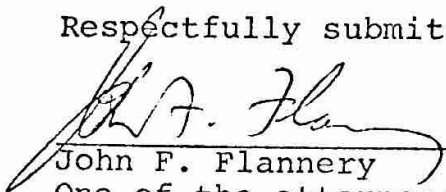
The reasons for the request for an early decision is that this Court has set a trial date for June 1 and the final pretrial order is to be submitted on May 19. The trial in the New York case is scheduled to start on 24 hours notice after June 1st with pretrial material to be submitted prior to June 1. An early decision staying the instant action will

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permit counsel to concentrate on the jury trial in New York rather than expending their time preparing for both the jury trial in New York and a bench trial in the instant case.

Respectfully submitted,

Dated: April 13 , 1976


John F. Flannery
One of the attorneys for
Defendants, Bally Manufacturing
Corp., Midway Mfg. Co., and
Empire Distributing, Inc.

Fitch, Even, Tabin & Luedeka
135 South LaSalle Street
Chicago, Illinois 60603
312-372-7842

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS
DOCK **FED** DIVISION

5

Name of Presiding Judge, Honorable JOHN F. GRADY

Cause No. 74 C 1030; 74 C 2510; 75 C 3153
75 C 3933

Date 4-14-76

Title of Cause THE MAGNAVOX COMPANY, ET AL. V. BALLY MANUFACTURING CORPORATION

Brief Statement of Motion REQUEST BY DEFENDANTS BALLY, MIDWAY AND EMPIRE FOR A DECISION ON THEIR MOTION TO STAY NON-JURY TRIAL

*no stay since
now is a full*

rec 5/17 24 4/1
The rules of this court require counsel to furnish the names of all parties entitled to notice of the entry of an order and the names and addresses of their attorneys. Please do this immediately below (separate lists may be appended).

Names and Addresses of moving counsel Donald L. Welsh - John F. Flannery
135 South LaSalle Street, Chicago (372-7842)

Representing Defendants

Names and Addresses of other counsel entitled to notice and names of parties they represent. Theodore W. Anderson, 77 West Washington, Chicago
Plaintiffs

Reserve space below for notations by minute clerk

APR 15 1976

Defts Bally, Midway and Empire motion to stay non-jury trial is denied. a formal memorandum opinion is set to follow this minute order shortly.

Grady

Hand this memorandum to the Clerk.

FH 10

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY, a Corporation,)
and SANDERS ASSOCIATES, INC., a)
Corporation,)

Plaintiffs,)

v.)

BALLY MANUFACTURING CORPORATION,)
a Corporation, et al.,)

Defendants.)

NO. 74 C 1030
74 C 2510
75 C 3153
75 C 3933

MEMORANDUM OPINION

Before the Court is the motion of defendants Midway Mfg. Co., Bally Manufacturing Co. and Empire Distributing, Inc. to stay the trial of the instant action pending the outcome of a jury trial in the Southern District of New York in Midway Mfg. Co. v. The Magnavox Co. and Sanders Associates, Inc., No. 74 Civ. 1657 CBM. Defendants argue that a decision in this case would operate as collateral estoppel in the New York case. Since the trial in this case will be a bench trial, they argue that Midway, the only defendant here which is also a party in the New York case, will be deprived of its right to a jury trial in New York. We disagree and deny the motion.

Our decision is based on the actions of Midway in this case. First, we note that, although the complaints in both this and the New York case were filed in April 1974, the first jury demand was made by the instant plaintiffs in December 1975 as part of an answer and counterclaim in the New York case. In response to that pleading, Midway on January 21, 1976, included the following statement:

WHEREFORE, Plaintiff denies that Defendants are entitled to any relief sought in the prayer of their Counterclaim, including any right to a trial by jury

Nineteen days later, on the day this Court set the instant case for trial, Midway attempted to amend its Answer by withdrawing its denial of the right to a jury trial.

Plaintiffs here argue that, under Fed. R. Civ. P. 38, Midway waived its right to a jury trial in New York. That rule provides in part:

(b) Demand. Any party may demand a trial by jury of any issue triable of right by a jury by serving upon the other parties a demand therefor in writing at any time after the commencement of the action and not later than 10 days after the service of the last pleading directed to such issue. Such demand may be endorsed upon a pleading of the party.

* * * * *

(d) Waiver. The failure of a party to serve a demand as required by this rule and to file it as required by

Rule 5(d) constitutes a waiver by him of trial by jury. A demand for trial by jury made as herein provided may not be withdrawn without the consent of the parties.

We disagree that Midway's actions constitute a waiver under Rule 38 because it was not within Midway's power to waive jury trial once it had been demanded. Nevertheless, we think that Midway is now estopped from asserting that trial of the case before this Court would deny its right to jury trial in New York. Midway's actions throughout the twin courses of this litigation indicate complete indifference to its right to jury trial until nineteen days after its last pleading was filed in New York. We do not know the true reason for its wanting the trial here stayed -- but surely if it were to preserve its right to jury trial, Midway would not have waited so long to inform the other litigants, this Court and the District Court in the Southern District of New York.

Midway relies solely on Goldman, Sachs & Co. v. Edelstein, 494 F.2d 76 (2d Cir. 1974), in which the Second Circuit issued a writ of mandamus ordering the District Court either to stay a bench trial pending completion of a jury trial on identical issues or to try both cases together.

That case is inapposite for several reasons. First, the defendant in both cases, the party seeking the writ, had made a timely demand for jury trial. Moreover, both cases were before the same judge, and it had been assumed by all parties and the judge that the jury trial would proceed first. Only after the judge announced that he would instead proceed with the bench trial first did the defendant seek the mandamus remedy.

Indeed our decision finds support in the following statement by Judge Oakes, who dissented in Goldman, Sachs:

Moreover, here there are 15 cases involving the same party defendant in this jurisdiction alone and others apparently pending outside the jurisdiction; the order of the majority can in no event affect those other cases pending in other circuits.

494 F.2d at 79. The majority did not refute this statement. Thus, in the present case, involving lawsuits in different circuits, Goldman, Sachs does not apply.

The motion to stay the trial in this case is denied.

DATED: April 14, 1976

ENTER:

John R. Candy
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED

FEB 24 1975

THE MAGNAVOX COMPANY,
a Corporation, and
SANDERS ASSOCIATES, INC.,
a Corporation,

Plaintiffs,

v.

BALLY MANUFACTURING CORPORATION,
a Corporation, CHICAGO DYNAMIC
INDUSTRIES, INC., a Corporation,
EMPIRE DISTRIBUTING, INC., a
Corporation, MIDWAY MFG. CO., a
Corporation, SEEBURG INDUSTRIES,
INC., a Corporation, THE SEEBURG
CORPORATION OF DELAWARE, a Cor-
poration, WILLIAMS ELECTRONICS,
INC., a Corporation, and WORLD
WIDE DISTRIBUTORS, INC., a
Corporation,

Defendants.

H. STUART CLEVELAND, CLERK,
UNITED STATES DISTRICT COURT

NO. 74 C 1030

RECEIVED
FITCH, EYER,
TABIN & LUEDEKA
FEB 26 1975

MEMORANDUM OPINION

This is a patent infringement action brought by the Magnavox Company and Sanders Associates, Inc., against eight corporate defendants. The subject matter of the patents involves certain types of electronic games employing a cathode-ray tube and a moving spot on the screen which simulates a ball or puck ("Video Games").

Before the Court is the motion of defendant Bally Manufacturing Corporation for summary judgment in its favor. Bally argues that it is undisputed that it has never made, sold or used such video games and

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FD 74

that, therefore, it is entitled to judgment as a matter of law. To support this conclusion Bally suggests that the following facts are undisputed: (1) Bally entered into an agreement with a designer of certain video and pinball games but never approved the resulting prototypes and decided not to manufacture such games, (2) Bally is the parent corporation of two co-defendants, Midway Mfg. Co. and Empire Distributing Inc. On two occasions in 1973 Bally received orders for video games sold by its subsidiary, Midway. For convenience Bally obtained the games from Midway, shipped them to the customers, and passed the payment back to Midway. As a matter of law, Bally argues that the former transaction involved no manufacture, use or sale of the products in issue, and that the latter transaction was in fact a sale by Midway, or at least de minimus for purposes of the instant cause of action. Thus there was, Bally submits, no infringement as defined at 35 U.S.C. Section 271.

Plaintiffs argue that the latter transaction was indeed a sale by Bally and that, in any event, material issues of fact exist as to whether Bally and Midway should even be treated as separate corporate entities, and whether Bally's actions constitute an inducement of a patent infringement.

The Court has considered these arguments of counsel and concludes that there are disputed issues of material fact which preclude the entry of summary judgment. Specifically, it is not

possible to conclude whether a "piercing of the corporate veil" is appropriate to attribute to Bally the acts of its subsidiaries. See Hillebrand v. Sav-co, 353 F.Supp. 19 (E.D. Ill. 1972). Nor can the Court conclude whether the sale is de minimus in terms of the overall volume of activity. Finally, the subtle questions relating to motive and concert incident to the inducement issue cannot be resolved by a summary judgment.

For the aforementioned reasons, the motion of defendant Bally Manufacturing Corporation for summary judgment is DENIED.

Dated

February 24, 1975

James M. Thayer
United States District Judge